

Message Text

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ORIGIN ARA-10

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE

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STADIS//////////

E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: ROGERS-TO-FACIO LETTER RE TRADE BILL

REF: SAN JOSE 1638

1. PURPOSE OF THIS CABLE IS TO AMPLIFY, FOR EMBASSY'S INFORMATION, ON THE OPERATION OF COMPETITIVE NEED FORMULA WHICH REQUIRES THE PRESIDENT TO WITHDRAW TARIFF PREFERENCE ON A PARTICULAR PRODUCT FROM A PARTICULAR COUNTRY WHEN THAT COUNTRY BECOMES COMPETITIVE IN A PRODUCT. A COUNTRY IS PRESUMED TO HAVE BECOME COMPETITIVE WHEN IT SUPPLIES MORE THAN A SPECIFIC DOLLAR AMOUNT (INITIALLY SET AT DOLS. 25 MILLION) OF AN ARTICLE (SPECIFIED AT THE FIVE DIGET TSUS LEVEL) IN ANY CALENDAR YEAR, OR ACCOUNTS FOR MORE THAN 50 PER CENT OF THE TOTAL VALUE OF IMPORTS OF THAT ARTICLE FROM ALL COUNTRIES IN ANY CALENDAR YEAR. THUS, IF IN A CALENDAR YEAR A COUNTRY EXCEEDS ONE OF THESE COMPETITIVE NEED LIMITATIONS FOR A PARTICULAR PRODUCT, IT WILL NOT ENJOY PREFERENTIAL TARIFF TREATMENT FOR THAT PRODUCT IN THE SUBSEQUENT YEAR. THE COUNTRY WOULD AGAIN

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BE ELIGIBLE FOR PREFERENTIAL TREATMENT IN ANY YEAR

FOLLOWING WHICH ITS EXPORTS OF AN INDIVIDUAL ARTICLE WERE UNDER THE LIMITS STATED. AS AMBASSADOR CORRECTLY ASSURED FOREIGN MINISTER FACIO, THERE IS NO CUMULATIVE EFFECT WHEREBY EXPORTS OF ONE PRODUCT WOULD AFFECT THE PREFERENTIAL TARIFF TREATMENT OF OTHER PRODUCTS.

2. PRELIMINARY SURVEY (BASED ON 1973 U.S. IMPORT STATISTICS) INDICATES THAT ONLY ONE PRODUCT PROPOSED FOR GSP AND EXPORTED BY COSTA RICA EXCEEDED COMPETITIVE NEED LIMITATION. THAT PRODUCT IS CHAYOTE (TSUS 137.75) WHICH HAS A 12.5 PER CENT TARIFF; COSTA RICAN EXPORTS IN 1973 AMOUNTED TO DOLS. 67,691 OR 83 PER CENT OF TOTAL U.S. IMPORTS. HOWEVER, IT HAS NOT YET BEEN DETERMINED IF THE U.S. PRODUCES A LIKE OR DIRECTLY COMPETITIVE PRODUCT; IF NOT, THE COMPETITIVE NEED LIMITATION WOULD NOT APPLY. KISSINGER

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